



*Andrew Junkin
CFA, CIMA, CAIA
Managing Director*

February 7, 2008

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of Global Equity Policies

Dear Russell,

You requested Wilshire's opinion with respect to Staff's proposed changes to the Global Equity Policies as a part of the ongoing Policy Review project. Wilshire worked with Staff to develop and revise these policies and had significant input about the revisions. Wilshire feels that all of our discussions and any issues we raised with Staff have been addressed in these revised policies and recommends that the Policy Subcommittee approve the revised policies.

There are three key changes to these policies. First, there has been significant consolidation and streamlining of the Global Equity Policies. For example, the new externally managed policy consolidates and replaces five existing policies (Active Domestic, Active International, Enhanced Domestic, Enhanced International, and Relaxed Long-Only). The relevant pieces of these policies have been included as attachments to the revised policy. A number of other Global Equity Policies have been similarly consolidated as is detailed in the agenda item.

Wilshire feels that the use of a master policy with attachments for strategies will serve CalPERS well in the future as the Policy can be amended as new strategies are considered, rather than crafting an entirely new policy.

Second, all of the proposed policies have been reformatted to comply with the current template in use in the Policy Review project. The new formatting template is designed to be flexible and, as mentioned above, we are in favor of the master/attachment format being used in order to consolidate and simplify many of these policies.

Last, the Passive International Equity – Externally Managed Policy, the Deferred Compensation S&P 500 Policy, the Dynamic Completion Fund Policy and the Pooled S&P 500 Equity Index Funds Policy are slated for repeal as they are no longer needed. Staff now manages the entire passive international equity portfolio internally and the

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other policies are now included within the other revised policies. Should the management of the any of the various Index Funds revert to an outside manager, an attachment can be drafted to be included with the other externally managed strategies.

There are other minor changes throughout the Policies, such as new or revised definitions. Wilshire has reviewed all of the changes (regardless of the magnitude) in all of the Policies and had significant input on various changes. We deem that these revised Policies are appropriate and reflect the necessary flexibility and controls to allow Staff to run the Global Equity portfolio effectively.

Wilshire recommends that the Policy Subcommittee adopt these revised policies. Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Ann Jinn". The signature is fluid and cursive, with a large loop at the end.